

## Status of Audit Resolution

December 2003

Agency: 235

### Department of Labor and Industries

Audit Number	Finding Number
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2002S	01B	Finding:	The Department of Labor and Industries paid at least \$725,774 in workers compensation benefits to claimants and survivors who were no longer eligible for the benefits. Additionally, the Department does not verify dependents claimed when calculating time loss benefits.
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Resolution/Status: The Department of Labor and Industries partially concurs with this finding and has taken the following corrective action:

- The Department made a comprehensive review of the claimant/survivor eligibility issue and has made the following changes:
  - The Declaration of Entitlement form was redesigned into three new forms that are easier to complete and provide clearer and more thorough statements from the recipients.
  - A report is generated monthly showing which recipients have not returned a completed declaration form. The Pension Unit support staff takes appropriate follow-up action, which may include suspension of the recipient's pension benefits if no response. An additional support FTE and training has been added to assure attention and action in this task.
  - The Department reviewed its data exchange agreements and expanded them to include all factors needed to identify potential claims for further review or investigation.

During Fiscal Year 2004, The Department will continue to review the process of validating entitlement declarations, starting with an impact assessment of requiring a notary signature and seal.

- Following a complete review of the dependents claimed issue, the Department concluded that requiring a copy of the marriage or birth certificate for time loss claims would not constitute a prudent or productive activity. Most compensable claims have fewer than ten days of time loss and as few as five percent of all claims have time loss greater than six months. The cost to the worker and impact on administering the workers' compensation program would be great.

Instead, the Department is pursuing a legislative remedy to establish one percentage to apply against a worker's wages regardless of marital and dependent status. The Department is also continuing to look for better methods to obtain evidence of a workers' declared marital status and number

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of dependents in a workers' compensation claim and  
mitigate instances where information is not accurate.

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2002S	03	Finding:	More than \$4.7 million in employer industrial insurance premium payments recorded as being received by the Department of Labor and Industries between July 2001 and December 2001 were not reflected as being deposited in the industrial insurance financial accounts. The Department was unable to account for this difference.
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Resolution/Status: The Department concurs with this finding and has taken the following corrective action:

- Accounting Services implemented a daily reconciliation process between the employer account system (EASE) and the state's agency financial reporting system (AFRS).
- The Cashier caught up the past daily balancing and has kept the practice up to date. All NSF information returned from the lockbox service is maintained by the Cashier's Office.
- A Cashier Daily Balancing Control Report is now emailed daily to the Cashier's Office, Employer Services staff and the Financial Services program manager, removing the opportunity for the Cashier to conceal or destroy backdated transaction reporting. Backdated EASE postings are shown as a separate day's activity on the emailed report.
- Cash receipt activity is reported to and reviewed by the Financial Services program manager on a bi-weekly basis. Cashier staff approves each other's end of day totals.
- Access to EASE was limited to essential personnel only.

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2002S	06	Finding:	The Department of Labor and Industries did not comply with state bid laws when purchasing medical services totaling more than \$1.5 million.
		Resolution/Status:	The Department concurs with this finding. The Department complied with the requirements for personal service contracting and began advertising for new contracts on February 25, 2003. Bids were received and evaluated on experience, professional activities, fees, and references. New contracts were established effective July 1, 2003.
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2002S	08	Finding:	The Department of Labor and Industries did not allocate indirect costs equitably among its programs and funds.
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Resolution/Status: The Department concurs with this finding and has taken the following corrective action:

- Hired a consultant to aid in the development of a cost allocation system and established plans to implement the system in multiple phases.
- Developed an implementation plan for the first phase and included it in the Department's 2004 supplemental budget proposal.

The Department is planning to implement an allocation of the administrative costs effective July 1, 2004, assuming passage of the 2004 supplemental budget proposal adjusting the funding sources.

Additionally, the Department is working to identify services that directly benefit other funding sources that will not fall within the cost allocation plan and will review an allocation of costs within the Information Services and Legal Services programs. Required funding and/or cost shifts that are identified will be addressed in the 2005-07 biennial budget submittal.

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